



## State of New Jersey

PHILIP D. MURPHY  
Governor

SHEILA Y. OLIVER  
Lt. Governor

DEPARTMENT OF THE TREASURY  
DIVISION OF INVESTMENT  
P.O. BOX 290  
TRENTON, NJ 08625-0290  
Telephone (609) 292-5106  
Facsimile (609) 984-4425

ELIZABETH MAHER MUOIO  
State Treasurer

SHOAIB KHAN  
Acting Director

November 10, 2021

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan  
Acting Director

SUBJECT: **Real Asset Investment - Brookfield Global Transition Fund**

The Division of Investment (the “Division”) is proposing a commitment of up to \$300 million to Brookfield Global Transition Fund (“BGTF”) and up to \$300 million to a co-investment sidecar vehicle investing alongside BGTF (BGTF, together with the sidecar vehicle, the “Fund”), both to be managed by Brookfield Asset Management (“Brookfield” or the “Firm”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

**Strong Track Record:** While the Brookfield Global Transition Fund is the first iteration of its kind, the Firm has a deep expertise within its target sectors of clean energy and sustainability investments across other fund series. Most relevant is the Brookfield Infrastructure Fund series which has produced strong returns with limited losses across 14 renewable energy investments. Additionally, performance has been consistent, and the track record is not reliant on one-off outperformers.

**Diversified and Differentiated Strategy:** The Fund will invest across Real Assets sectors including renewable power, utilities, and industrials with the objectives of achieving strong risk-adjusted returns as well as providing additionality to investments in order to decarbonize their operations. While many sustainability funds in the market are solely focused on wind and solar assets, BGTF will have a differentiated strategy in that it will invest in businesses across the value chain and help them become closer to net-zero carbon emissions.

**Experienced Firm with an Operational Focus:** Brookfield as a firm is a large, established renewable energy investor dating back to its founding over 100 years ago. The Firm currently has \$57 billion in renewable asset AUM and operates over 20 GWs of renewable power globally. While there are many renewable energy asset managers around the world, Brookfield was one of the first and is now one of the largest. The Firm’s expertise in developing and operating renewable power assets, as well as its track record relating to complex business transformation strategies, provide the Fund with the necessary tools and expertise to execute on its strategy.

**Strong ESG and Sustainability Focus:** The Fund’s focus on ESG is clear as its objectives are two-fold: deliver strong risk-adjusted returns while aiming to accelerate the net-zero emissions goal. Brookfield’s ESG and sustainability focus encompasses all aspects of the investment process from sourcing and screening through to exits.

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached.

Division Staff and its consultant, Aksia TorreyCove Partners LLC, undertook extensive due diligence on the proposed investment in accordance with the Division’s Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the Fund has engaged a third-party solicitor (“placement agent”) in the fundraising of the Fund, leveraged on an as-needed basis in select non-U.S. jurisdictions, but no placement agent was engaged or paid in connection with the Pension Fund’s potential investment.

Environmental, Social, and Governance (“ESG”) is highly integral in all aspects of the way the Firm conducts its business. The Firm has 8 guiding principles throughout its investment process. The Firm is a signatory of the United Nations-supported Principles for Responsible Investment. Brookfield’s board is formally charged with ESG oversight at the Firm and the ESG strategy is directed by the Firm’s ESG steering committee.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council’s regulation governing political contributions (N.J.A.C. 17:16-4), and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 71 of the Council’s regulations. The Fund is considered a real asset investment, as defined under N.J.A.C. 17:16-71.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC, and the IPC discussed the investment at its meeting held on November 8, 2021. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council’s November 17, 2021 meeting.

Attachment

**Fund Name: Brookfield Global Transition Fund and Co-Investment Vehicle**

November 8, 2021

**Contact Info:** Robert White, 250 Vesey St, 15th Floor, New York, New York 10281

**Fund Details:**

<b>Total Firm Assets:</b>	\$625 billion	<b>Key Investment Professionals:</b> <b>Mark Carney:</b> Mr. Carney is Vice Chair of Brookfield Asset Management and Head of ESG and Impact Fund Investing. In this role, he is focused on the development of products for investors that will combine positive social and environmental outcomes with strong risk-adjusted returns. He is a long-time and well-known advocate for sustainability, specifically with regard to the management and reduction of climate risks and is currently the United Nations' Special Envoy for Climate Action and Finance. Prior to joining Brookfield in 2020, Mr. Carney served as the Governor of the Bank of England from 2013 to 2020 and Governor of the Bank of Canada from 2008 until 2013. He was Chair of the Financial Stability Board from 2011 to 2018. Prior to his governorships, Mr. Carney worked at Goldman Sachs and the Canadian Department of Finance. <b>Connor Teskey:</b> Mr. Teskey is a Managing Partner, Head of Brookfield's Renewable Power Group and Chief Executive Officer of Brookfield Renewable Partners. Mr. Teskey is also Head of Europe for Brookfield Asset Management, responsible for corporate operations and oversight across Brookfield's business in the region. Prior to these roles, Mr. Teskey was Chief Investment Officer of the Renewable Power business, where he was responsible for growing the global renewable platform, focusing primarily on investment origination and overseeing underwriting, execution, and asset management activities. He previously held roles focused on investments for both Brookfield's private equity funds and Brookfield Asset Management. Before joining Brookfield in 2012, Mr. Teskey worked in corporate debt origination at a Canadian bank. <b>Sachin Shah:</b> Mr. Shah is a Managing Partner, Chief Investment Officer of Brookfield Asset Management, and a Vice Chair of Brookfield's Renewable Power Group. As CIO, he is actively involved in all investments made by the firm and oversees its growth into new lines of business. As Vice Chair, he continues to support business development initiatives for the renewables business. Mr. Shah joined Brookfield in 2002 and most recently served as Chief Executive Officer of Brookfield Renewable Partners where he was instrumental in growing the platform into a global business diversified across multiple technologies. <b>Natalie Adomait:</b> Ms. Adomait is a Managing Director in Brookfield's Renewable Power Group focused on impact investments. In this role, Ms. Adomait is responsible for sourcing, execution and asset management of the investments within Brookfield's Global Transition Fund, with a particular focus on underwriting and execution of impact business plans. Ms. Adomait began her career at Brookfield in 2011 focused on origination and investment execution for renewable energy assets in North America and Europe. Most recently, she was Head of European Portfolio Management for Brookfield's Real Estate Group, where she oversaw the strategy and growth of Brookfield's real estate businesses in Europe and was a board member of several companies including Student Roost, Center Parcs UK, Harwell Life Sciences Campus and Brookfield Properties London. <b>Julian Thomas:</b> Mr. Thomas is a Managing Director, Head of Strategic Initiatives in Brookfield's Renewable Group. In this role, his responsibilities include fund strategy, capital raising, co-investment, investment committee matters, as well as investor relations for private fund investors. Mr. Thomas joined Brookfield in 2015 and was previously a chief investment officer in the renewable energy group responsible for sourcing, evaluating and executing investments globally. Prior to joining Brookfield, Mr. Thomas was a Director at a Toronto-based private equity firm, where he focused on acquisitions in North America across multiple industries. He also worked at a New York-based private equity firm, where he was involved in mezzanine debt and equity co-investments. He started his career in the mergers & acquisitions group at UBS in New York.
<b>Strategy:</b>	Real Assets - Sustainability	
<b>Year Founded:</b>	1899	
<b>Headquarters:</b>	Toronto, Canada	
<b>GP Commitment:</b>	At least \$2 billion	

**Investment Summary**

The Fund will invest across the sustainability-focused spectrum in three themes: clean energy, business transformation, and sustainable solutions. The Fund will focus on businesses with strong downside protection and will not seek investments with binary risks such as unproven technology. The Fund will have two objectives: to achieve attractive financial returns and to generate a measurable environmental change by integrating a focused impact management approach throughout its investment process. The Fund will aim to assemble a diversified portfolio across geographies where Brookfield has local operating presence and extensive market experience, namely North America, South America, Europe, and Asia Pacific.

**Existing and Prior Funds**

<i>Funds</i>	<i>Vintage Year</i>	<i>Strategy</i>	<i>Returns as of date</i>

**Vehicle Information:**

<b>Inception:</b>	2021	<b>Auditor:</b>	Ernst & Young LLP
<b>Fund Size (\$mil.):</b>	\$7.5 billion; \$12.5 billion hard cap	<b>Legal Counsel:</b>	Weil, Gotshal & Manges LLP
<b>Management Fee:</b>	1.15% p.a. on Fund commitment of \$300 million		
<b>Co-Investment Management Fee:</b>	0% p.a. up to amount of Fund commitment (excluding transaction fee)		
<b>Carry:</b>	20%		
<b>Co-Investment Carry:</b>	0% up to amount of Fund commitment		
<b>Hurdle Rate:</b>	8%		
<b>Additional Expenses:</b>			

**NJ AIP Program**

<b>Recommended Allocation (\$mil.):</b>	up to \$300 million (Fund) up to \$300 million (Co-Investment)	<b>LP Advisory Board Membership:</b>	YES
<b>% of Fund:</b>	4%; 2.4% of hard cap	<b>Consultant Recommendation:</b>	YES
		<b>Placement Agent:</b>	NO
		<b>Compliance w/ Division Placement Agent Policy:</b>	N/A
		<b>Compliance w/ SIC Political Contribution Reg:</b>	YES

\*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.